

Motlow College Foundation

**For the Years Ended
June 30, 1996, and June 30, 1995**

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August 26, 1997

The Honorable Don Sundquist, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

The Honorable Charles E. Smith, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217

and

Mr. Jim Penland, Chairperson
Motlow College Foundation
P.O. Box 88100
Tullahoma, Tennessee 37388

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Motlow College Foundation for the years ended June 30, 1996, and June 30, 1995. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of the internal control structure and tests of compliance resulted in no audit findings.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/cr
97/058

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Motlow College Foundation
For the Years Ended June 30, 1996, and June 30, 1995

AUDIT OBJECTIVES

The objectives of the audit were to consider the foundation's internal control structure; to determine compliance with laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

AUDIT FINDINGS

The audit report contains no findings.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

Audit Report
Motlow College Foundation
For the Years Ended June 30, 1996, and June 30, 1995

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Motlow College Foundation

For the Years Ended June 30, 1996, and June 30, 1995

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Motlow College Foundation. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any state governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

Motlow College Foundation is a nonprofit, private foundation incorporated in 1976 under the laws of the State of Tennessee. The foundation’s purpose is to promote and support scholarship and other school-related functions at Motlow State Community College.

ORGANIZATION

Motlow College Foundation is governed by a board of trustees, which includes the president of the college. The other trustees, including a legislative liaison and a representative from each of the 11 counties included in the Motlow State Community College service area, volunteer for service. The board’s normal transactions are executed by an executive committee.

AUDIT SCOPE

The audit was limited to the period July 1, 1994, through June 30, 1996, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the years ended June 30, 1996, and June 30, 1995.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the foundation's internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
 2. to determine compliance with laws, regulations, contracts, and grants;
 3. to determine the fairness of the presentation of the financial statements; and
 4. to recommend appropriate actions to correct any deficiencies.
-

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control Structure

As part of the audit of the foundation's financial statements for the years ended June 30, 1996, and June 30, 1995, we considered the internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by

generally accepted government auditing standards. The report on the internal control structure is on the following pages. Consideration of the internal control structure disclosed one material weakness.

Compliance with Laws and Regulations

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards. The compliance report follows the report on the internal control structure.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the fairness of the presentation of the foundation's financial statements. The independent auditor's report follows the compliance report.

**Report on the Internal Control Structure Based on an
Audit of the Financial Statements Performed in Accordance With
*Government Auditing Standards***

April 9, 1997

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of the Motlow College Foundation as of and for the years ended June 30, 1996, and June 30, 1995, and have issued our report thereon dated April 9, 1997.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The foundation's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the foundation's financial statements for the years ended June 30, 1996, and June 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of

The Honorable W. R. Snodgrass
April 9, 1997
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relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the center's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Because the Motlow College Foundation has no employees and instead relies upon the services of volunteers for accounting and control functions, the foundation has not established an adequate segregation of duties for disbursements.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is a material weakness.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/cr

**Compliance Report Based on an Audit of the
Financial Statements Performed in Accordance
With *Government Auditing Standards***

April 9, 1997

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of Motlow College Foundation as of and for the years ended June 30, 1996, and June 30, 1995, and have issued our report thereon dated April 9, 1997.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the foundation is the responsibility of the foundation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the foundation's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards.

The Honorable W. R. Snodgrass
April 9, 1997
Page Two

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/cr

Independent Auditor's Report

April 9, 1997

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of Motlow College Foundation as of June 30, 1996, and June 30, 1995, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of the foundation's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Motlow College Foundation as of June 30, 1996, and June 30, 1995, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedules following the notes to the financial statements are presented for purposes of additional analysis and are not a required part of the financial state-

The Honorable W. R. Snodgrass
April 9, 1997
Page Two

ments. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements, taken as a whole.

In accordance with generally accepted government auditing standards, we have also issued reports dated April 9, 1997, on our consideration of the foundation's internal control structure and on its compliance with laws and regulations.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/cr

MOTLOW COLLEGE FOUNDATION
BALANCE SHEETS
JUNE 30, 1996, AND JUNE 30, 1995

ASSETS	June 30, 1996	June 30, 1995	LIABILITIES AND FUND BALANCES	June 30, 1996	June 30, 1995
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash and cash equivalents (Note 2)	\$ 129,367.66	\$ 44,487.28	Liabilities:		
Investments (Note 3)	-	50,000.00	Accounts payable	\$ 5,739.49	\$ 5,757.00
Accrued interest receivable	123.36	1,131.65	Fund balance	123,751.53	90,268.93
Student loans receivable (net of allowance of \$753.67 at June 30, 1995)	-	407.00			
	<u>-</u>	<u>407.00</u>			
Total unrestricted	<u>129,491.02</u>	<u>96,025.93</u>	Total unrestricted	<u>129,491.02</u>	<u>96,025.93</u>
Restricted:			Restricted:		
Cash and cash equivalents (Note 2)	194,766.88	40,125.62	Liabilities:		
Investments (Note 3)	-	72,936.79	Accounts payable	1,250.30	3,412.82
Accounts receivable	123.29	-	Fund balances	194,271.09	110,638.31
Accrued interest receivable	631.22	988.72			
	<u>631.22</u>	<u>988.72</u>			
Total restricted	<u>195,521.39</u>	<u>114,051.13</u>	Total restricted	<u>195,521.39</u>	<u>114,051.13</u>
Total current funds	<u>\$ 325,012.41</u>	<u>\$ 210,077.06</u>	Total current funds	<u>\$ 325,012.41</u>	<u>\$ 210,077.06</u>
Endowment and similar funds:			Endowment and similar funds:		
Cash and cash equivalents (Note 2)	\$ 162,401.80	\$ 49,960.40	Fund balances:		
Investments (Note 3)	1,150,000.00	883,917.09	Endowment	\$ 665,871.55	\$ 446,919.77
Accrued interest receivable	9,472.13	-	Term endowment	361,529.08	304,626.30
	<u>9,472.13</u>	<u>-</u>	Quasi-endowment - unrestricted	294,473.30	182,331.42
Total endowment and similar funds	<u>\$ 1,321,873.93</u>	<u>\$ 933,877.49</u>	Total fund balances	<u>1,321,873.93</u>	<u>933,877.49</u>
			Total endowment and similar funds	<u>\$ 1,321,873.93</u>	<u>\$ 933,877.49</u>
Agency funds:			Agency funds:		
Cash and cash equivalents (Note 2)	\$ 17,570.79	\$ 17,570.79	Deposits held in custody for others	\$ 17,570.79	\$ 17,570.79
Total agency funds	<u>\$ 17,570.79</u>	<u>\$ 17,570.79</u>	Total agency funds	<u>\$ 17,570.79</u>	<u>\$ 17,570.79</u>

The notes to the financial statements are an integral part of this statement.

MOTLOW COLLEGE FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1996

	Current Funds		Endowment and Similar Funds
	<u>Unrestricted</u>	<u>Restricted</u>	
<u>REVENUES AND OTHER ADDITIONS</u>			
Contributions - cash gifts	\$ 55,987.77	\$ 112,676.09	\$ 144,191.36
Contributions - in-kind gifts	11,514.02	77,770.00	-
Investment income	6,886.24	8,628.60	80,970.35
Athletic concessions income	9,973.50	-	-
Gala	24,420.00	9,170.00	-
Golf tournaments	51,308.10	4,500.00	-
Gain on sale of investments	-	452.50	89,194.56
Other sources	16.14	-	-
Total revenues and other additions	<u>160,105.77</u>	<u>213,197.19</u>	<u>314,356.27</u>
<u>EXPENDITURES AND OTHER DEDUCTIONS</u>			
Athletic concessions	4,296.50	-	-
Athletic program operations	5,405.94	7,613.18	-
Annual meeting	-	1,500.00	-
Student scholarships and awards	20,081.25	14,248.00	-
Administrative	226.73	-	666.94
Employee recognition	562.50	-	-
Fund raising expenditures	2,616.70	20,329.00	-
Public relations/marketing	5,408.13	-	-
Instructional and cultural programs	-	5,044.62	-
Fayetteville/Lincoln County building	-	59.61	-
Facilities - in-kind	-	77,770.00	-
Elite Classic tournament	-	3,000.00	-
Loss on sale of investments	-	-	2,204.29
Operational - in-kind	11,514.02	-	-
Total expenditures and other deductions	<u>50,111.77</u>	<u>129,564.41</u>	<u>2,871.23</u>
<u>TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)</u>			
Nonmandatory:			
Endowment and similar funds	<u>(76,511.40)</u>	<u>-</u>	<u>76,511.40</u>
Total transfers	<u>(76,511.40)</u>	<u>-</u>	<u>76,511.40</u>
Net increase for the year	33,482.60	83,632.78	387,996.44
Fund balances at beginning of year	<u>90,268.93</u>	<u>110,638.31</u>	<u>933,877.49</u>
Fund balances at end of year	\$ <u>123,751.53</u>	\$ <u>194,271.09</u>	\$ <u>1,321,873.93</u>

The notes to the financial statements are an integral part of this statement.

MOTLOW COLLEGE FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1995

	Current Funds		Endowment and
	Unrestricted	Restricted	Similar Funds
<u>REVENUES AND OTHER ADDITIONS</u>			
Contributions - cash gifts	\$ 31,963.34	\$ 440,600.76	\$ 95,923.33
Contributions - in-kind gifts	13,683.67	72,009.00	-
Investment income	4,192.21	2,412.16	30,874.22
Athletic concessions income	9,414.05	-	-
Gala	32,211.00	8,300.00	-
Golf tournaments	41,931.00	5,290.00	-
Gain on sale of investments	-	-	19,232.40
Other sources	15.00	-	-
Total revenues and other additions	133,410.27	528,611.92	146,029.95
<u>EXPENDITURES AND OTHER DEDUCTIONS</u>			
Athletic concessions	4,269.39	-	-
Athletic program operations	5,635.83	2,668.82	-
McMinnville/Warren County building	-	300,000.00	-
Student scholarships and awards	20,256.25	20,960.22	-
Administrative	265.47	-	5,497.44
Faculty/staff awards	3,310.00	-	-
Fund raising expenditures	3,548.02	16,903.60	-
Public relations/marketing	5,342.56	-	-
Instructional and cultural programs	-	27,347.30	-
Fayetteville/Lincoln County building	-	49,944.32	-
Facilities - in-kind	-	72,009.00	-
Elite Classic tournament	-	3,000.00	-
Loss on sale of investments	-	-	58,964.95
Operational - in-kind	13,683.67	-	-
Total expenditures and other deductions	56,311.19	492,833.26	64,462.39
<u>TRANSFERS AMONG FUNDS - ADDITIONS</u>			
<u>(DEDUCTIONS)</u>			
Nonmandatory:			
Endowment and similar funds	(71,643.98)	(209.86)	71,853.84
Total transfers	(71,643.98)	(209.86)	71,853.84
Net increase for the year	5,455.10	35,568.80	153,421.40
Fund balances at beginning of year	84,813.83	75,069.51	780,456.09
Fund balances at end of year	\$ 90,268.93	\$ 110,638.31	\$ 933,877.49

The notes to the financial statements are an integral part of this statement.

MOTLOW COLLEGE FOUNDATION
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1996

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>REVENUES</u>			
Contributions - cash gifts	\$ 55,987.77	\$ 37,078.41	\$ 93,066.18
Contributions - in-kind gifts	11,514.02	77,770.00	89,284.02
Investment income	6,886.24	1,046.00	7,932.24
Athletic concessions income	9,973.50	-	9,973.50
Gala	24,420.00	9,170.00	33,590.00
Golf tournaments	51,308.10	4,500.00	55,808.10
Other sources	16.14	-	16.14
	<u>160,105.77</u>	<u>129,564.41</u>	<u>289,670.18</u>
Total current revenues			
<u>EXPENDITURES AND TRANSFERS</u>			
Athletic concessions	4,296.50	-	4,296.50
Athletic program operations	5,405.94	7,613.18	13,019.12
Annual meeting	-	1,500.00	1,500.00
Student scholarships and awards	20,081.25	14,248.00	34,329.25
Administrative	226.73	-	226.73
Employee recognition	562.50	-	562.50
Fund raising expenditures	2,616.70	20,329.00	22,945.70
Public relations/marketing	5,408.13	-	5,408.13
Instructional and cultural programs	-	5,044.62	5,044.62
Fayetteville/Lincoln County building	-	59.61	59.61
Facilities - in-kind	-	77,770.00	77,770.00
Elite Classic tournament	-	3,000.00	3,000.00
Operational - in-kind	11,514.02	-	11,514.02
	<u>50,111.77</u>	<u>129,564.41</u>	<u>179,676.18</u>
Total expenditures			
<u>OTHER TRANSFERS AND ADDITIONS</u>			
<u>(DEDUCTIONS)</u>			
Excess of restricted receipts over transfers to revenue	-	83,632.78	83,632.78
Transfers to endowment and similar funds	(76,511.40)	-	(76,511.40)
	<u>33,482.60</u>	<u>83,632.78</u>	<u>117,115.38</u>
Net increase in fund balances	\$	\$	\$

The notes to the financial statements are an integral part of this statement.

MOTLOW COLLEGE FOUNDATION
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1995

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>REVENUES</u>			
Contributions - cash gifts	\$ 31,963.34	\$ 405,921.00	\$ 437,884.34
Contributions - in-kind gifts	13,683.67	72,009.00	85,692.67
Investment income	4,192.21	1,313.26	5,505.47
Athletic concessions income	9,414.05	-	9,414.05
Gala	32,211.00	8,300.00	40,511.00
Golf tournaments	41,931.00	5,290.00	47,221.00
Other sources	15.00	-	15.00
	<hr/>	<hr/>	<hr/>
Total current revenues	133,410.27	492,833.26	626,243.53
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES AND TRANSFERS</u>			
Athletic concessions	4,269.39	-	4,269.39
Athletic program operations	5,635.83	2,668.82	8,304.65
McMinnville/Warren County building	-	300,000.00	300,000.00
Student scholarships and awards	20,256.25	20,960.22	41,216.47
Administrative	265.47	-	265.47
Faculty/staff awards	3,310.00	-	3,310.00
Fund raising expenditures	3,548.02	16,903.60	20,451.62
Public relations/marketing	5,342.56	-	5,342.56
Instructional and cultural programs	-	27,347.30	27,347.30
Fayetteville/Lincoln County building	-	49,944.32	49,944.32
Facilities - in-kind	-	72,009.00	72,009.00
Elite Classic tournament	-	3,000.00	3,000.00
Operational - in-kind	13,683.67	-	13,683.67
	<hr/>	<hr/>	<hr/>
Total expenditures	56,311.19	492,833.26	549,144.45
	<hr/>	<hr/>	<hr/>
<u>OTHER TRANSFERS AND ADDITIONS</u>			
<u>(DEDUCTIONS)</u>			
Excess of restricted receipts over transfers to revenue	-	35,778.66	35,778.66
Transfers to endowment and similar funds	(71,643.98)	(209.86)	(71,853.84)
	<hr/>	<hr/>	<hr/>
Net increase in fund balances	\$ 5,455.10	\$ 35,568.80	\$ 41,023.90
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The notes to the financial statements are an integral part of this statement.

Motlow College Foundation
Notes to the Financial Statements
June 30, 1996, and June 30, 1995

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

For financial reporting purposes, the Motlow College Foundation includes all fund types over which the board of directors exercises oversight responsibility.

BASIS OF PRESENTATION

The foundation uses the AICPA College Guide model for accounting and financial reporting.

BASIS OF ACCOUNTING

The financial statements of the foundation have been prepared on the accrual basis. All restricted resources are recorded as additions to the fund balances of the appropriate fund groups. Restricted current resources are then recorded as revenues during the period in which they are expended. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

FUND ACCOUNTING

To ensure observance of limitations and restrictions placed on the use of the resources available, the foundation maintains accounts in accordance with the principles of fund accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Motlow College Foundation
Notes to the Financial Statements (Cont.)
June 30, 1996, and June 30, 1995

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds which are allocated to specific purposes by the governing board. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and contrast with unrestricted funds over which the governing board retains full control to use in achieving any of the foundation purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds. This income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds. All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Current Funds

Unrestricted current funds consist of those funds over which the foundation retains full control for use in achieving any of its authorized institutional purposes. Restricted current funds are externally restricted and may be used only in accordance with the purposes established by their source.

Endowment and Similar Funds

Endowment funds are subject to the restriction of gift instruments requiring in perpetuity that the principal be invested and only the income be used. Term endowment funds are similar to endowment funds, except that after a stated period of time or a particular event, all or part of the principal may be expended. The only term endowment held by Motlow College Foundation is the Endowment Challenge Grant authorized by the Title III Higher Education Act of 1965 and issued through the U.S. Department of Education. Although quasi-endowment funds have been established by the governing board for the same purposes as endowment funds, any portion of quasi-endowment funds may be expended.

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NOTE 2. CASH AND CASH EQUIVALENTS

In addition to demand deposits and petty cash on hand, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 1996, cash and cash equivalents consisted of \$92,550.15 in bank accounts, \$600.00 of petty cash on hand, and \$410,956.98 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer. At June 30, 1995, cash and cash equivalents consisted of \$111,577.67 in bank accounts, \$575.00 of petty cash on hand, and \$39,991.42 in the First Alabama Bank Investment Account.

NOTE 3. INVESTMENTS

Investments are valued at cost or, in the case of gifts, at fair value on the date received. The book and market values at June 30, 1996, and June 30, 1995, are as follows:

	<u>CD's</u>	<u>Mutual Funds</u>	<u>Total</u>
June 30, 1996 book value	<u>\$1,150,000.00</u>	<u>\$ -</u>	<u>\$1,150,000.00</u>
June 30, 1996 market value	<u>\$1,150,000.00</u>	<u>\$ -</u>	<u>\$1,150,000.00</u>

	<u>CD's</u>	<u>Mutual Funds</u>	<u>Total</u>
June 30, 1995 book value	\$ 122,936.79	\$ 883,917.09	\$1,006,853.88
Unrealized gain	<u>-</u>	<u>64,006.83</u>	<u>64,006.83</u>
June 30, 1995 market value	<u>\$ 122,936.79</u>	<u>\$ 947,923.92</u>	<u>\$1,070,860.71</u>

NOTE 4. PLEDGES

At June 30, 1996, unrecorded pledges totaled \$444,579.34. These pledges are due to be collected in subsequent years and with restrictions as follows:

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<u>Years</u>	<u>Expenditures Specified By Donors</u>	<u>Restricted to Investment In Endowment</u>	<u>Unrestricted</u>
1997	\$14,703.00	\$ 76,149.66	\$2,270.68
1998	14,000.00	77,570.00	-
1999	-	75,320.00	-
2000	-	41,171.00	-
2001	-	4,100.00	-
2002-2005	-	12,300.00	-
Indefinite	-	126,995.00	-
	<u>\$28,703.00</u>	<u>\$413,605.66</u>	<u>\$2,270.68</u>

At June 30, 1995, unrecorded pledges totaled \$564,258.16. These pledges were due to be collected in subsequent years and with restrictions as follows:

<u>Years</u>	<u>Expenditures Specified By Donors</u>	<u>Restricted to Investment In Endowment</u>	<u>Unrestricted</u>
1996	\$ 53,072.00	\$ 89,710.34	\$2,580.32
1997	34,000.00	84,630.00	-
1998	34,000.00	71,180.00	-
1999	22,000.00	66,820.00	-
2000	2,000.00	36,814.00	-
2001-2005	-	16,400.00	-
Indefinite	-	51,051.50	-
	<u>\$145,072.00</u>	<u>\$416,605.84</u>	<u>\$2,580.32</u>

It is not practicable to estimate the net realizable value of such pledges; therefore, they are not reflected in the accompanying financial statements.

